Quantum Leap

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Editor:

Ilze van der Berg

Nutella Brownies

The recipe for Nutella Brownies is as follows:

Ingredients

1 and 1/4 cups Nutella

½ cup flour

2 Eggs

Method

Mix all the ingredients together with a wooden spoon until the batter is soft and smooth. Pour mixture into a greased baking pan and smooth the top with a spatula.

Bake for approximately 15 minutes in a 180°C oven or until a toothpick inserted into the mixture comes out clean.

Let the brownies cool before cutting and serving.

Why do we need to save for retirement?

Nutella brownies have nothing to do with your retirement, except for the fact that you need a recipe for an adequate retirement benefit.

One day you will retire from work. At that point you will need to have adequately saved enough in order to substitute your current salary. The amount saved needs to be enough to cover your monthly expenses until your death and your life partner.

The recipe for a successful retirement is firstly, an understanding of the different ingredients and secondly the influence you have over them.

Ingredient	Quantity	Influence
Time and compounding of returns	As much as possible	Controllable
Contributions (amount saved)	As much as you can afford	Controllable
Risk and Return (investment performance)	Depends on your age	Uncontrollable
Bad egg (Death/Disability/ Retrenchment/Divorce)	As little as possible	Uncontrollable

Directions

It is important to understand that all these ingredients are inter-related and have different impacts depending on how old you are and how many years you have to retirement. Future newsletters will focus on each ingredient and show how best they can be utilised to ensure that you are able to enjoy a successful retirement.

Ordinary people think merely of spending time

Great people think of using it !

Time

Time is by far the most valuable ingredient of the recipe. By understanding that you have influence over this ingredient, the more time you have, the more successful your retirement recipe will be.

The impact of time can be best described by the introduction of the game of chess to the world.

The Ruler of India was looking for a national game and he was so impressed with the game of chess that he offered the inventor a reward of his choosing. The inventor, who was also a wise mathematician, told the Ruler that he would like just one grain of rice on the first square of the chess board, double that number of grains of rice on the second square, and so on: double the number of grains of rice on each of the next 63 squares on the chess board.

This seemed to the Ruler to be a modest request, so he called for his servants to bring the rice. How surprised he was to find that the rice quickly covered the chess board then filled the palace!

In fact the number of grains of rice on the last square can be written as "2 to the 63rd power", which looks like this: 18,446,744,070,000,000,000 or twice the weight of the world.

"Time is by far the most valuable ingredient of the recipe"

So how does this help my retirement recipe?

Imagine that each square on the chess board represented a year you worked and more importantly a year you saved. The money you saved in the first year is added to the money you save in the second year.

It is therefore logical to say that the more years you save, the more money you will have.

The table below illustrates the difference in the amount saved. One person saved for 40 years while the other one saved for 15 years.

The discipline of saving a regular monthly amount should become a habit that you follow during your entire working career.

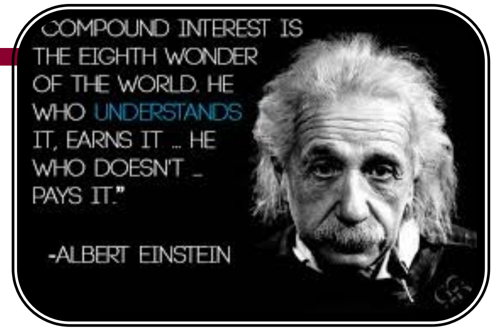
	Mr de Vries		Mr Phillips	
Years saved	40	40	15	15
Starting annual salary	R60 000	R60 000	R60 000	R60 000
Contribution	10%	15%	10%	15%
Total Saved	**R240 000**	**R360 000**	**R90 000**	**R135 000**

Mr de Vries saved 10% of his salary for 25 years more than Mr Phillips and by so doing was able to accumulate R150 000 more. If Mr de Vries had saved 15%, he would have saved R360 000!

The conclusion is to start saving as early as possible, and as much as possible. In fact, you should start to save from your very first paycheck. The discipline of saving a regular monthly amount should become a habit that you follow during your entire working career.

Keep on reading to the next page where we explain the power of compounding

COMPOUNDING



What is compounding?

Let us go back to our game of chess. While each square represented time, "doubling" the grains of rice for each square is what is called compounding, i.e. the grain of rice on the first square is carried and added to the next square's rice.

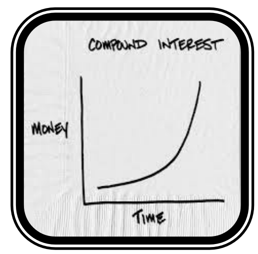
Compounding is your best friend and when combined with the ingredient of time it has a massive influence on your savings.

Doubling of the rice in the game is likened to your annual salary increase and investment return. (This aspect will be covered in the July 2015 issue of Quantum Leap).

Let us use Mr de Vries from the previous page as an example of compounding. Let us assume that he received an annual increase of 8% throughout his working life of 40 years.

The amount of R240 000 which was saved over 40 years would grow to R1 554 339 with compound interest.

Similarly, had he saved at 15%, it would grow to R2 331 509 at 8% interest compounded over 40 years.



"Compounding is your best friend. When combined with the ingredient of time, it has a massive influence on your savings."

From R360 000 to R2 331 509!! WOW…that is the power of compounding!

	Mr de Vries	
Years saved	40	40
Starting annual salary	R60 000	R60 000
Contribution	10%	15%
Annual Increase	8%	8%
Total Saved	**R1 554 339**	**R2 331 509**

Watch this space. In the July 2015 issue of Quantum Leap we'll be focusing on the impact of Investment Performance on your savings.

Your disability income benefit premiums

With effect from 1 March 2015, you will be taxed on the value of your disability income benefit premiums.

The premiums that your employer pays toward your disability income benefits will be regarded as a fringe benefit on which tax will be payable.

Employees will therefore not only have their tax increased as per the 2015 budget proposals, but in addition to this additional tax will be paid on the value of the premiums in respect of the disability income benefit.

The good news is that in the event of you becoming disabled and receiving a disability income benefit, the entire monthly disability income will be paid free of tax.

Investment Performance Figures

January 2015

Note: Past performance is never an indication of future performance

Guaranteed Funds	1 year	3 years	5 years
Old Mutual Absolute Stable Growth	18.2%	17.3%	14.8%
Sanlam Monthly Bonus Fund	16.72%	14.66%	12.42%
Quantum Elite Money Market Fund	6.5%	5.8%	6.0%
Momentum MM Smooth Growth Global	20.62%	17.32%	13.01%
Conservative Investment Portfolios	**1 year**	**3 years**	**5 years**
Quantum Elite Absolute Return	10.2%	12.9%	11.0%
Investment Solutions Conserver	9.76%	12.39%	12.12%
Moderate Investment Portfolios	**1 year**	**3 years**	**5 years**
Quantum Elite Moderate Portfolio	11.5%	13.0%	12.3%
Investment Solutions Performer	14.30%	18.75%	17.18%
Stanlib MM Moderate Balanced	14.33%	16.68%	15.58%
Aggressive Investment Portfolios	**1 year**	**3 years**	**5 years**
Quantum Elite Growth Fund	11.4%	12.8%	12.4%
Symmetry Aggressive Fund	13.2%	18.3%	16.7%
CPI Inflation	5.31%	5.47%	5.19%

All performance figures are shown as at January 2015.

Sources of information : Novare, Investment Solutions, Liberty, Old Mutual, Sanlam

Tax-Free Savings Account - know your limits

Government encourages South Africans to save, and with effect from 1 March 2015, you are able to invest up to R30 000 per year in a tax-free savings account. These amounts invested will not attract any form of tax, including tax on the interest gained in these accounts, capital gains tax nor dividend tax.

Parents can also open tax-free savings accounts for their children. A family of four can therefore save up to R120 000 per year in a tax-free savings account. This makes these accounts an ideal savings opportunity towards educational needs.

The total any individual is allowed to save thus is R500 000 over his lifetime.

The money saved in a tax-free savings account , including the interest and dividends earned can be withdrawn at any time free of tax, but note that the contributions to these accounts are made from after-tax earnings.

The differences between a tax free saving account and a retirement fund are set out in the table below:

	Pension Fund	Provident Fund	Tax free savings account
Member Contributions	Deductible up to 7.5% of pensionable earnings	Not deductible for tax purposes	Not deductible for tax purposes
Maximum Member Contributions	No maximum, but only deductible up to 7.5% of pensionable earnings	Member contributions not deductible	Not deductible, limited to R30 000 per year and R500 000 over a lifetime
Interest earned	Not taxable	Not taxable	Not taxable
Withdrawal	Only permitted on resignation from employer. Withdrawal benefit is taxable	Only permitted on resignation from employer Withdrawal benefit is taxable	Permitted at any time, withdrawal benefit is not taxable

1st Floor Somerset Square
55 Somerset Road, Green Point
Phone: 086-000-4400
Fax: 086-000-4403
E-mail: info@fairsure.co.za
FSP 40880

fairsure
employee benefits

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